

## **DECISION MEMORANDUM**

**TO: COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSIONER KEMPTON  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL**

**FROM: WELDON STUTZMAN  
DEPUTY ATTORNEY GENERAL**

**DATE: APRIL 1, 2009**

**SUBJECT: CASE NO. IPC-E-09-04  
IDAHO POWER'S APPLICATION TO MODIFY AND TERMINATE THE  
PERFORMANCE-BASED DEMAND-SIDE MANAGEMENT INCENTIVE  
PILOT PROGRAM**

On March 11, 2009, Idaho Power Company filed an Application requesting the Commission issue an Order to (1) authorize the Company to implement a number of modifications to the metrics used under the Performance-Based Demand-Side Management Incentive Pilot program to determine incentive eligibility, (2) approve the Company's determination of its market share achievement for the pilot years of 2007 and 2008, and (3) authorize the Company to discontinue the pilot program effective January 1, 2009. In addition, the Company's Application requests that the Commission initiate a workshop proceeding to investigate potential benefits of a properly designed portfolio-based demand-side management (DSM) incentive mechanism.

In December 2006, Idaho Power filed an application requesting authority to implement a DSM incentive mechanism that would allow the Company to retain a portion of the financial benefits associated with DSM programs operated by the Company. In March 2007, the Commission issued Order No. 30268 approving a pilot program to be operational over a three-year period ending December 2009. Under the pilot program, the Company would receive an incentive payment if the market share of homes constructed under the ENERGY STAR<sup>®</sup> program exceeded certain levels. Conversely, the Company could be subject to a penalty if the percentage of new homes that were built to ENERGY STAR<sup>®</sup> standards failed to reach certain levels. The Company's Application identifies significant problems in developing the standards

to determine whether the Company was entitled to incentive payment or subject to a penalty. According to the Application, the Company and Staff have spent “a considerable amount of time” exploring ways to address the difficulties inherent in the pilot program. Staff and the Company were able to agree to revise market share determination methodologies, and under the revisions the Company neither earned an incentive payment nor a penalty in 2007 and 2008. The Company’s Application requests that the Commission approve the technical revisions that Staff and the Company agreed to determine the market share for ENERGY STAR® homes.

Given the difficulties inherent in the pilot program, the Company also requests that the Commission authorize termination of the pilot program effective January 1, 2009. In addition, the Application requests that the Commission “open a separate docket to investigate and potentially develop a performance-based incentive mechanism to be applied to Idaho Power’s entire portfolio of DSM programs.”

The Company requests that its Application be processed by Modified Procedure. Staff recommends that Idaho Power’s Application to modify and terminate the Performance-Based Demand-Side Management Incentive Pilot program be processed by Modified Procedure.

#### **COMMISSION DECISION**

Should the Application of Idaho Power for authority to modify and terminate the Performance-Based DSM Incentive Pilot program be processed by Modified Procedure?

A handwritten signature in black ink, appearing to read 'W. B. Stutzman', written over a horizontal line.

Weldon B. Stutzman  
Deputy Attorney General

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